

Andover/North Reading Water Agreement

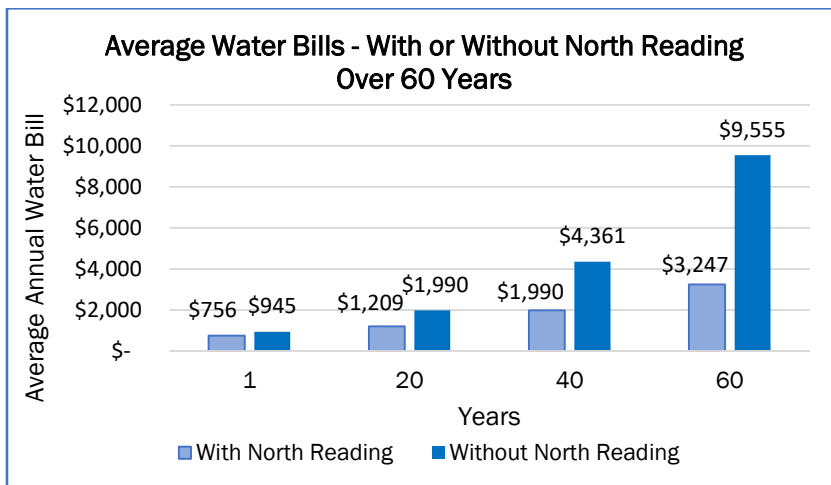
*A permanent and dependable revenue source for Andover
A permanent and dependable water supply for North Reading*

Partnership

Andover has been supplying North Reading with water for 44 years. Over the last five years, selling water to North Reading has generated \$1.5 million per year in water revenue to the Town of Andover. This is revenue that has kept Andover water bills low. As our largest water customer, North Reading accounts for one third of our total water revenue – which also pays for one third of our maintenance and improvement costs. Continuing this partnership ensures that we keep water rates low for Andover residents and businesses into the future.

Financial Benefits

Selling about 1.26 million gallons per day, the current daily average, to the Town of North Reading provides over \$1.5 million dollars to Andover's water enterprise. Because the water system is an enterprise fund, these dollars stay within the Water Department and help pay for all of our water operations. Without North Reading as a customer, water rates would have to increase about 28% in the first year to make up that lost revenue, and 4% every year thereafter.



What makes this agreement unique is that ***the Town of Andover is able to save money for residents and businesses without reducing services.*** For many of our residents, an additional a water rate increase would have a big impact on their ability to remain in town. For our businesses, our inexpensive water resource is an economic development tool that helps us compete with locations nationwide that are looking to attract commercial taxpayers. A long-term revenue source is a commodity, and this agreement continues and expands what has been in place for nearly 50 years.

99 years

Town Meeting voters voiced concerns over the length of this agreement. North Reading's primary goal has been permanency. This deal presents North Reading with a permanent solution while providing Andover with permanent financial stability for its water costs.

Protections for Andover in a long-term agreement

Final contract language will include safeguards and risk mitigation measures that will limit risk to Andover. The clauses below are an overview of how Andover is protected throughout the agreement from known or anticipated risks.

- Catastrophic events* – “force majeure” clauses protect Andover in the case of a natural or man-made disaster
- Impairment of water* – protects Andover if for some reason Andover unable to supply North Reading with water
- Non-Compliance* – contract can be terminated if North Reading were to breach the terms of the contract
- Modifications* – if either party wants to make contract modifications, both towns will be able to propose terms

Droughts, water bans, water restrictions

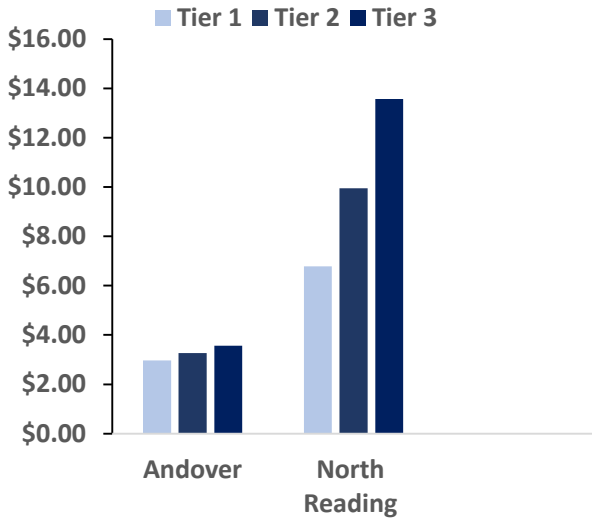
Reductions in available water due to state restrictions will be borne proportionately by the two towns based on usage volumes. Both parties agree that all water limitations placed by Andover on its users will be applied equally to North Reading

Is there enough water?

On the lowest flow day in the Merrimack River – which was in 1944 – 1.5 billion gallons flowed by Andover’s intake valve. On an average day, Andover and North Reading require a total of about 7 million gallons. We are confident that even through population and economic growth, the Merrimack River will be a sustainable water source for Andover and North Reading for the next 99 years.

What will North Reading pay?

Andover Rates vs. North Reading Rates



The Rate

North Reading will pay Andover a wholesale price of 95% of Andover’s Tier 1 Rate. North Reading will charge their customers a distribution fee in order to get the water from the town line to houses and businesses. For the first 10 years, rate increases will be capped at 2.5% and every year after that the rate increases will be the same as Andover’s rate increases.

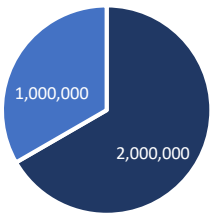
Capital Costs

As part of your water bill you pay for improvements to our water systems like water main replacements and new hydrants. As a ratepayer, North Reading will pay these costs too – even though almost all of these capital costs benefit Andover exclusively.

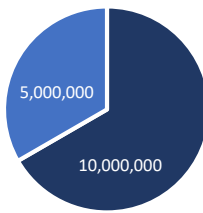
North Reading is a customer outside of our system that pays for one third of our system costs

Capital Project Example Cost Sharing

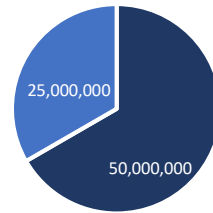
Annual Project
Water Main Replacements
\$3,000,000



Short Term Major Project
Fish Brook Pump Station
\$15,000,000



Long Term Major Project
Replace Water Treatment Plant
\$75,000,000



■ Andover Share ■ North Reading Share ■ Andover Share ■ North Reading Share ■ Andover Share ■ North Reading Share

Andover will need to pay for these capital projects even if North Reading is not a customer.

Learn more

The Town of Andover has set up a website www.andoverma.gov/wateragreement that offers a lot of information on the background of the proposed agreement. If you have any questions you can email manager@andoverma.gov or call (978) 623-8210.

Special Town Meeting

To consider the North Reading Water Agreement
Wednesday, April 4, 2018 7:00 PM
Collins Center, Andover High School